

PUBLIC DISCLOSURE

July 28, 2004

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

READING CO-OPERATIVE BANK

180 HAVEN STREET
READING, MA. 01867

DIVISION OF BANKS
ONE SOUTH STATION
BOSTON, MA 02110

<p>NOTE: This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion or opinion of the Division of Banks concerning the safety and soundness of this financial institution.</p>
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GENERAL INFORMATION

The Community Reinvestment Act (or "CRA") requires the Division of Banks ("Division") to use its authority when examining financial institutions subject to its supervision, to assess the institution's record of meeting its needs of its entire local community, including low and moderate-income neighborhoods, consistent with safe and sound operation of the institution. Upon conclusion of such examination, the Division must prepare a written evaluation of the institution's record of meeting the credit needs of its community.

This document is an evaluation of the CRA performance of Reading Co-operative Bank (or the Bank) prepared by the Division, the institution's supervisory agency.

INSTITUTION'S CRA RATING: This institution is rated "Satisfactory"

The overall rating of satisfactory is based on Reading Co-operative Bank's net loan to deposit ratio, as well as its adequate level of lending to low and moderate-income individuals throughout its assessment area. Reading Co-operative Bank is considered to meet the standards for satisfactory performance in lending inside and outside its assessment area and the geographic distribution of loans is reasonable based on the demographics of the assessment area.

The Bank's net loan to deposit ratio stood at 74.1 percent as of June 30, 2004, which reflects the Bank's commitment to extend credit. A comparison of the dollar volume of the Bank's loans and deposits as of September 30, 2002, was compared to that of June 30, 2004. This comparison revealed that loans have increased by \$36,238,000, or 36.3 percent, while deposits for the same time period increased by \$37,096,000, or 25.3 percent. A significant increase in deposits occurred between March 31, 2004 and June 30, 2004 that affected the slight decrease of the Bank's net loan to deposit ratio. This was attributed to a large deposit received by the Bank. Based on the above, Reading Co-operative Bank is considered to meet the standards for satisfactory performance.

Reading Co-operative Bank's record of serving low and moderate-income applicants is slightly above that of the aggregate and is reasonable based on the composition of the assessment area. Reading Co-operative Bank's lending to various income groups is considered reasonable given its size, financial capacity, and resources as well as the strong competition within the assessment area. Therefore, lending to borrowers of different incomes is considered to meet the standards for satisfactory performance.

Reading Co-operative Bank's geographic distribution of loans criteria is considered to meet the standards for satisfactory performance.

Reading Co-operative Bank has a written Fair Lending Policy, which is incorporated as a part of its Compliance Program and Statement. This policy includes the Bank's efforts to eliminate discrimination in all aspects of credit and lending as well as to provide guidance to Bank employees on how to comply with fair lending policies and practices. Employees regularly attend various training seminars to keep abreast of changing regulations.

PERFORMANCE CONTEXT

Description of Institution

Reading Co-operative Bank was established in 1886 with the purpose of serving the savings and credit needs of working individuals and businesses located throughout Reading, North Reading, Wilmington, and surrounding towns. As of June 30, 2004, the Bank had total assets of \$213,621,000 of which 64.1 percent were in the form of loans. The Bank is primarily a residential lender with 76.1 percent of the total portfolio made up of 1-4 family residential properties.

Refer to the following table for additional information on the breakdown of loans.

LOAN TYPE	AMOUNT 000's	PERCENT
1-to-4 Family Residential	\$104,235	76.1%
Commercial Real Estate	\$15,950	11.6%
Equity Lines of Credit	\$6,501	4.7%
Construction	\$5,705	4.2%
Commercial	\$3,286	2.4%
Consumer	\$1,044	0.8%
Farm Loans	\$276	0.2%
GROSS LOANS	\$136,997	100.0

Source: June 30, 2004 Call Report

Reading Co-operative Bank operates three full service offices. The main office is located at 180 Haven Street in Downtown Reading. The Bank has a branch located on 352 Middlesex Avenue in Wilmington and 170 Park Street in North Reading. The Bank's main office and North Reading branch are located in upper-income census tracts and the Wilmington branch is located in a middle-income census tract. The branch office in North Reading was opened in January 2002. Hours at each location appear to be convenient and similar to other area institutions. Extended hours are offered at all offices. In addition, all three offices maintain 24-hour Automated Teller Machines and have drive-up accessibility. In addition, the Bank operates a 24-hour automated telephone response system, Touchtel. Touchtel allows customers to obtain current interest rates, specific account information and can transfer funds between accounts. The system also provides office locations and business hours.

Reading Co-operative Bank has direct competition within the immediate area from several local institutions including MassBank, FleetBoston, and Sovereign Bank, as well as a number of regional and national mortgage companies, and branches of large national banks.

The examiners used PCI Services, Inc., CRA Wiz, to generate aggregate Home Mortgage Disclosure Act ("HMDA") reports when comparing Reading Co-operative Bank to other HMDA lenders throughout its assessment area.

The Bank was last examined for compliance with the Community Reinvestment Act by the Federal Deposit Insurance Corporation ("FDIC") on May 9, 2001. That examination resulted in a Satisfactory rating. The Division conducted a CRA Examination on January 29, 1999. That examination also resulted in a Satisfactory rating.

Description of Assessment Area

Reading Co-operative Bank has defined its assessment area as the Towns of Reading, North Reading, and Wilmington. These municipalities are located in Middlesex County and the Boston Metropolitan Statistical Area ("MSA").

Assessment Area Demographics

The Bank's assessment area includes 10 census tracts, six which are middle-income and four that are considered upper-income.

According to 2000 US Census Data, Reading Co-operative Bank's assessment area has a combined population of 58,908 individuals and a total of 20,851 housing units. Additional information from the 2000 census data revealed that 17,847, or 85.6 percent of the housing units within the assessment area are owner occupied, 2,663, or 12.8 percent are rental units, and 341, or 1.6 percent are vacant housing units.

The Town of Reading is a medium size community which lies at a transportation hub with Route 93 along its western boundary and Route 95 along its southeastern boundaries and is approximately 11 miles north of Boston.

The Town of Wilmington is a suburban industrial town located 15 miles north of Boston. Wilmington is bordered by Andover to the north, North Reading and Reading on the east, Woburn on the south, and Burlington, Billerica, and Tewksbury on the west.

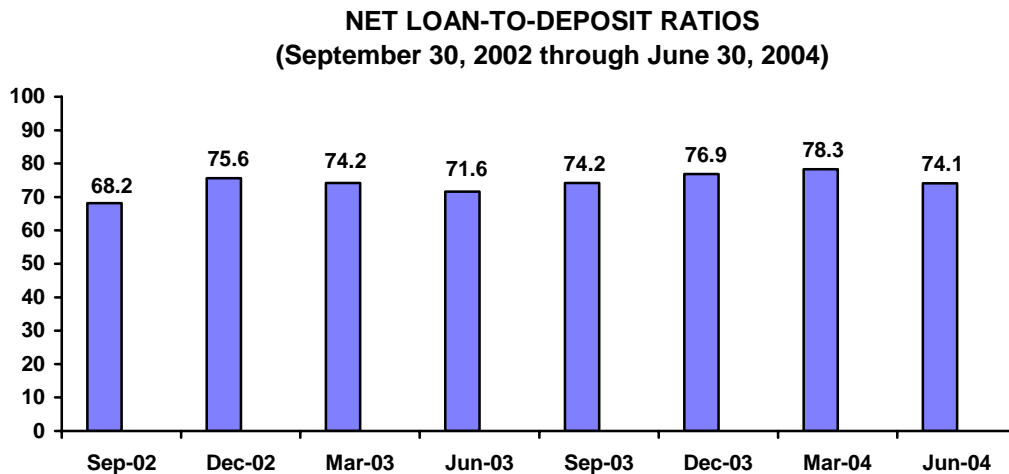
The Town of North Reading is an outlying suburban town located 15 miles north of Boston. North Reading is bordered by Wilmington on the west, Andover and North Andover on the north, Middleton and Lynnfield on the east, and Reading on the south.

All three towns in the assessment area are very desirable affluent communities and the prices of homes have increased dramatically. According to the most recent reports obtained from the Bankers and Tradesman reports, average median sales prices as of July 2004 in Reading, North Reading, and Wilmington are \$447,500, \$430,000, and \$384,900, respectively.

PERFORMANCE CRITERIA

1. LOAN TO DEPOSIT ANALYSIS

A comparative analysis of Reading Co-operative Bank's quarterly net loan-to-deposit ratios for the period of September 30, 2002 through June 30, 2004, was conducted during this examination. Using the Bank's quarterly Call Reports, the average net loan-to-deposit ratio for this period is 74.2 percent. This ratio is based on total loans net of unearned income and net of the allowance for loan and lease losses (ALLL) as a percentage of total deposits. The following graph is provided for further analysis.



The net loan to deposit ratio stood at 74.1 percent as of June 30, 2004. A comparison of the dollar volume of the Bank's loans and deposits as of September 30, 2002, was compared to that of June 30, 2004. This comparison revealed that loans have increased by 36.3 percent, while deposits for the same time period increased by 25.3 percent. There was a significant increase in deposits from March 31, 2004 and June 30, 2004 as deposits grew by 9.9 percent, while net loans only grew by 4.1 percent. In discussions with management, it was discovered that the Bank received a large deposit from a local community organization during this time period that attributed to the large increase in deposits.

Based upon the information above as well as Reading Co-operative Bank's asset size in comparison to its competitors throughout the assessment area, the net loan-to-deposit ratio is considered to meet the standards for satisfactory performance.

2. COMPARISON OF CREDIT EXTENDED INSIDE AND OUTSIDE OF THE ASSESSMENT AREA(S)

Reading Co-operative Bank's 2002 and 2003 Loan Application Registers ("LAR"s) were reviewed to determine the amount of credit extended within the Bank's assessment area. During this period, the Bank originated 402 HMDA reportable loans totaling approximately \$83,537,000. Of these loans, 221 or 55.0 percent were originated inside the Bank's assessment area totaling \$44,601,000 or 53.4 percent.

Refer to the following tables for additional information regarding the Bank's HMDA reportable lending, by both number and dollar volume.

Distribution of Home Mortgage Loans Inside and Outside of the Assessment Area								
Year	Inside				Outside			
	Number of Loans		Dollar in Loans (000s)		Number of Loans		Dollars in Loans (000s)	
	#	%	\$	%	#	%	\$	%
2002	105	51.5	21,113	48.8	99	48.5	22,180	51.2
2003	116	58.6	23,488	58.4	82	41.4	16,756	41.6
Total	221	55.0	44,601	53.4	181	45.0	38,936	46.6

Source: 2002/2003 HMDA DATA

As indicated in the table above, a majority of the Bank's loans originated during the examination period were inside the Bank's assessment area. The number of loans decreased by 2.9 percent from 2002 to 2003. Similarly, by dollar volume, the Bank's HMDA reportable loans decreased by 7.0 percent for the same time period. An additional analysis from PCI Services, CRA WIZ indicates that Reading Co-operative Bank ranks 18th in 2002 within the assessment area capturing 1.31 percent of market share. The top three lenders in the assessment area are Washington Mutual Bank, FA, Countrywide Home Loans, and Fleet National Bank.

Based on the above information, the Bank's comparison of credit extended inside and outside of the assessment area is considered to meet the standards for satisfactory performance.

3. DISTRIBUTION OF CREDIT AMONG DIFFERENT INCOME LEVELS

The Bank's HMDA reportable loans were further analyzed to determine the distribution of lending by borrower income level. The borrowers' reported incomes were compared to the median family incomes for Boston, MA MSA. The income figures are based on estimated Department of Housing and Urban Development (HUD) information. The median family incomes for the Boston MSA for 2002 and 2003 are \$74,600 and \$80,000.

Low-income is defined by the US Census Bureau as income below 50 percent of the median family income level for the MSA. Moderate-income is defined as income

between 50 percent and 79 percent of the median family income level for the MSA. Middle-income is defined as income between 80 percent and 119 percent of the median income. Upper-income is defined as income equal to or greater than 120 percent of the median income.

The following table shows, by number, HMDA reportable loans to low, moderate, middle and upper-income borrowers in comparison to the percentage of total households within the assessment area in each respective income group.

Distribution of HMDA Reportable Loans Within the Assessment Area to Borrowers of Different Income Levels by Number

Borrower Income Level	Total Households		2002		2003		Total	
	#	%	#	%	#	%	#	%
< 50%	2,809	13.7	8	7.6	10	8.6	18	8.2
50 – 79%	2,304	11.2	18	17.2	22	19.0	40	18.1
80 – 119%	3,658	17.9	23	21.9	29	25.0	52	23.5
> = 120%	11,708	57.2	50	47.6	48	41.4	98	44.3
N/A	0	0	6	5.7	7	6.0	13	5.9
Total	20,479	100.0%	105	100.0	116	100.0	221	100.0

Source: HMDA/LAR Data for the period 1/1/02 to 12/31/03

During 2002 and 2003, Reading Co-operative Bank extended 18 HMDA reportable loans to low-income borrowers representing 8.2 percent of total originations within the assessment area. Although these numbers are below the 13.7 percent of low-income households within the assessment area, there are mitigating factors present that account for this disparity. These factors include: competition, the percentage of people living below the poverty level who cannot afford to purchase a home, as well as the high cost of homes within the assessment area.

In addition, the Bank extended 40 loans to moderate-income borrowers, representing 18.1 percent of the HMDA reportable originations inside the assessment area. The number of loans to moderate-income borrowers is above the 11.3 percent of moderate-income households within the assessment area.

The distribution of the Bank's loans among various borrower income levels may also be compared to that of all other HMDA-reportable lenders in the assessment area. Other HMDA reporters include bank and non-bank entities such as large national banking companies, other local banks, credit unions, and mortgage companies. The most recent data available for this comparison is 2002.

The following table shows the Bank's distribution of loans among various income levels compared to that of the other 300 HMDA reportable lenders throughout the Bank's assessment area in 2002.

Distribution of HMDA Reportable Loans – Assessment Area Reading Co-operative Bank Compared to All Other Reporters								
Median Family Income Level	Number of Loans				Dollar Amount of Loans			
	Reading Co- operative Bank		All Other Reporters		Reading Co- operative Bank		All Other Reporters	
	#	%	#	%	\$(000)	%	\$(000)	%
Low	8	7.6	233	2.9	617	2.9	25,857	1.6
Moderate	18	17.2	910	11.5	2,158	10.2	141,907	8.6
Middle	23	21.9	1,960	24.8	3,575	16.9	369,951	22.6
Upper	50	47.6	3,554	44.9	13,526	64.1	828,193	50.5
NA	6	5.7	1,260	15.9	1,237	5.9	275,004	16.8
Total	105	100%	7,917	100%	21,113	100%	1,640,912	100%

Source: HMDA LAR 2002 HMDA Aggregate Data

As shown above, the Bank's percentage of lending to low-income borrowers was above the aggregate by number and dollar amount for 2002. Reading Co-operative Bank originated 7.6 percent by number and 2.9 percent by dollar amount of the total loans within the assessment area to low-income borrowers, compared to the aggregate with 2.9 percent by number and 1.6 percent by dollar amount.

The Bank's HMDA reportable loans originated during 2002 to moderate-income borrowers accounted for 17.1 percent by number and 10.2 percent by dollar amount within the assessment area. Both number and dollar amount were above the aggregate's lending to moderate-income borrowers for 2002 as 11.5 percent by number and 8.6 percent by dollar value of lending were originated to moderate-income borrowers.

An analysis was also conducted to determine how the Bank's originations compare to the other 300 lenders within the assessment area. During 2002, the most recent data available, Reading Co-operative Bank ranked thirteenth in lending to low and moderate-income borrowers throughout the assessment area. The Bank's ranking is considered reasonable given the size, financial capacity, and resources of the Bank as well as the strong competition in the assessment area.

Based on the information above, the Bank's lending to borrowers of different income levels, including those of low and moderate-income, reflects an adequate performance. Therefore, Reading Co-operative Bank is considered to meet the standards for satisfactory performance in this criterion.

4. GEOGRAPHIC DISTRIBUTION OF LOANS

An analysis of HMDA reportable loan originations extended within the various census tracts contained in the Bank's assessment area was conducted during the examination. The Bank's assessment area is comprised of ten census tracts, six of which are designated as middle-income, and four that are designated as upper-income.

Reading Co-operative Bank originated 221 HMDA reportable loans within its assessment area from January 1, 2002 through December 31, 2003. Of the total number of HMDA reportable loan originations from within the assessment area, the bank granted 102, or 46.2 percent throughout middle-income census tracts and 119 or 53.8 percent within the upper-income census tracts.

A comparative analysis of Reading Co-operative Bank's lending performance with that of all other HMDA reporters within the assessment area was also conducted. HMDA data for calendar year 2002 was used to compare the geographic distribution of the Bank's loan originations with those of other bank and non-bank entities such as large national mortgage companies, and credit unions that originated HMDA-reportable loans within middle and upper-income geographies. The results of this analysis are presented in the following table:

CENSUS TRACT INCOME <i>CATEGORY</i>	NUMBER OF LOANS				DOLLAR AMOUNT			
	Reading Cooperative Bank		All Other Lenders		Reading Cooperative Bank		All Other Lenders	
	#	%	#	%	\$ (000)	%	\$ (000)	%
MIDDLE	56	53.3	4,632	58.5	10,445	49.5	894,282	54.5
UPPER	49	46.7	3,285	41.5	10,668	50.5	746,630	45.5
TOTAL	105	100.0	7,917	100.0	21,113	100.0	1,640,912	100.0

Source: 2002 HMDA Data

Based on the above information, Reading Co-operative Bank's HMDA-reportable loan originations to middle-income census tracts in the assessment area is slightly lower than the aggregate's lending.

The assessment area does not contain any low or moderate-income census tracts, however, Reading Co-operative Bank has shown a willingness to lend to low and moderate-income individuals as depicted in the distribution of credit among different income levels category.

The Bank's dispersion of loans in the middle and upper-income census tracts compares reasonably well with the aggregate and is considered to meet the standards for satisfactory performance.

5. REVIEW OF COMPLAINTS/FAIR LENDING

Reading Co-operative Bank has not received any complaints related to its CRA performance since the previous examination. Furthermore, the Bank is considered to meet the standards for satisfactory performance in this section. Fair lending training is frequently conducted at the Bank to keep the employees abreast of any changes to the regulation. Reading Co-operative Bank markets its services and products to the community primarily through print advertisements.

MINORITY APPLICATION FLOW

The Bank's assessment area is made up of 96% white individuals and 4% minority individuals. The Bank's minority application flow was compared to the racial composition of the assessment area. The comparison of this data assists in deriving reasonable expectations for the institution's application flow. Overall, the Bank had 16 applications from minorities and 14 were approved.

THE COMMONWEALTH OF MASSACHUSETTS

To the COMMISSIONER OF BANKS:

THIS IS TO CERTIFY, that the report of examination of the

READING CO-OPERATIVE BANK

for compliance with applicable consumer and fair lending rules and regulations and the Community Reinvestment Act (CRA), as of the close of business **July 28, 2004**, has been read to or by the undersigned and the matters referred to therein will have our immediate attention.

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A majority of the Board of Directors/Trustees

Dated at _____ this _____ day of _____ 20 ____

PERFORMANCE EVALUATION DISCLOSURE GUIDE

Massachusetts General Laws Chapter 167, Section 14, as amended, and the Uniform Interagency Community Reinvestment Act (CRA) Guidelines for Disclosure of Written Evaluations require all financial institutions to take the following actions within 30 business days of receipt of the CRA evaluation of their institution:

- 1) Make its most current CRA performance evaluation available to the public;
- 2) At a minimum, place the evaluation in the institution's CRA public file located at the head office and at a designated office in each assessment area;
- 3) Add the following language to the institution's required CRA public notice that is posted in each depository facility:

"You may obtain the public section of our most recent CRA Performance Evaluation, which was prepared by the Massachusetts Division of Banks, at 180 Haven Street in Reading, Massachusetts.

[Please Note: If the institution has more than one assessment area, each office (other than off-premises electronic deposit facilities) in that community shall also include the address of the designated office for that assessment area.]

- 4) Provide a copy of its current evaluation to the public, upon request. In connection with this, the institution is authorized to charge a fee which does not exceed the cost of reproduction and mailing (if applicable).

The format and content of the institution's evaluation, as prepared by its supervisory agency, may not be altered or abridged in any manner. The institution is encouraged to include its response to the evaluation in its CRA public file.